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1990 financial-
compliance audit.

Office of the Legislative Auditor

State of Montana



Report to the Legislature

May 1991

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1990

Department of Health and Environmental Sciences

This report contains recommendations related to:

- Cash management.
- Reporting expenditures on federal reports.
- Noncompliance with contract provisions.

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The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1989 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

Office of the Legislative Auditor



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JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORHEY

May 1991

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Health and Environmental Sciences for fiscal years 1988-89 and 1989-90. Included in this report are recommendations concerning cash management, reporting expenditures on federal reports, and noncompliance with contract provisions. The department's written response to the audit recommendations is included in the back of the audit report.

We thank the director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".
Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1990

Department of Health and Environmental Sciences

Members of the audit staff involved in this audit were Mark C. Barry, Wayne D. Guazzo, Scott Hoversland, Tori Hunthausen, Maureen G. McHugh, Rich McRae and Vickie Rauser.

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Appointed and Administrative Officials

Administrative Officials	Dennis Iverson	Director effective January 1991
	William J. Optiz	Deputy Director
	Raymond J. Hoffman	Administrator Centralized Services Division
	Steven Pilcher	Administrator Environmental Sciences Division
	Dale J. Taliaferro	Administrator Health Services Division
Board of Health and Environmental Sciences	Raymond Gustafson, D.V.M.	Conrad 1993
	Paul L. Kathrein, O.D.	Great Falls 1993
	Remington C. Kohrt	Darby 1995
	Stuart Reynolds, M.D.	Havre 1993
	Dennis D. Schreffler, M.D.	Billings 1995
	David Simpson	Hardin 1993
	Jeremy Thane	Missoula 1995

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department:

A. Deposit all moneys received in accordance with state law. 5

Agency Response: Concur. See page 30.

B. Consider the need to seek legislation to alternate fee payment and renewal dates. 5

Agency Response: Concur. See page 31.

Recommendation #2

We recommend the department strengthen procedures to review and approve the classification of "A" or "B" accruals at fiscal year-end in accordance with state policy. 6

Agency Response: Partially concur. See page 31.

Recommendation #3

We recommend the department prepare and provide supported and accurate reports to the federal government in accordance with federal regulations. 9

Agency Response: Concur. See page 32.

Recommendation #4

We recommend the department work with the counties and the Local Government Services Division to ensure it receives subrecipient audit reports in a timely manner. 10

Agency Response: Concur. See page 33.

Recommendation #5

We recommend the department establish a system to ensure it resolves issues of noncompliance with federal regulations within six months as required by federal regulations. 11

Agency Response: Concur. See page 33.

Summary of Recommendations

Recommendation #6 We recommend the department enforce the provisions of the contracts established for the Maternal and Child Health block grant. 13

Agency Response: Concur. See page 34.

Recommendation #7 We recommend the department comply with state policy and establish written policies regarding micro-computer use. 14

Agency Response: Concur. See page 34.

Introduction

General

We performed a financial-compliance audit of the Department of Health and Environmental Sciences (department) for fiscal years 1988-89 and 1989-90. The objectives of the audit were to:

1. Determine if the department complied with applicable laws and regulations.
2. Make recommendations for the improvement in the administration, management, electronic data processing, and accounting controls of the department.
3. Determine if the department's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1990.
4. Determine implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations contained in this report. Other areas of concern deemed not to have a significant effect on the successful operations of the department are not specifically included in the report, but have been discussed with management.

Background

The Department of Health and Environmental Sciences was created to protect and promote the health of the people of Montana through implementation of public health laws and regulations. The general powers and duties of the department are detailed in Title 50, MCA.

In addition to the Director's Office, the department has three divisions:

Health Services Division is responsible for services designed to improve and preserve the health of Montana residents. The division includes: 1) the Family and Maternal Child Health Bureau, 2) Preventive Health Bureau, 3) Licensing and Certification Bureau, 4) Health Planning and Resource Development Bureau, and 5) Emergency Medical Services

Introduction

Bureau. The division had 90 full-time equivalent (FTE) positions in fiscal year 1989-90.

Environmental Sciences Division is responsible for ensuring a safe and healthful environment. The division includes: 1) the Air Quality, 2) Occupational Health, 3) Food and Consumer Safety, 4) Solid and Hazardous Waste, and 5) Water Quality Bureaus. The division had 147 FTE positions in fiscal year 1989-90.

Centralized Services Division is responsible for all financial reporting, budgeting, and accounting functions of the department, as well as statistical services, record keeping, and laboratory services. The division includes: 1) the Support Services Bureau, 2) Records and Statistics Bureau, 3) the Chemistry Laboratory, and 4) Microbiology Laboratory. The division operated with 63 FTE positions in fiscal year 1989-90.

The Board of Health and Environmental Sciences is attached to the department. The board consists of seven members appointed by the governor. The board advises the department on public health matters. The board also has the authority to establish rules and hold public hearings on health matters such as air quality, water quality, and solid waste management.

Most of the department's employees work in Helena, but there are some employees located in other cities. The department works with county health departments throughout the state and contracts with counties, individuals, and private organizations in administering health and environmental programs.

Prior Audit Recommendations

Prior Audit Recommendations

The previous audit report for the two fiscal years ended June 30, 1988 contained nine report sections with eleven individual recommendations to the department. One recommendation is no longer applicable to the department. Of the ten recommendations still applicable, the department has implemented seven, partially implemented one, and has not implemented two as discussed on pages 7 and 13 of this report. The partially implemented recommendation concerning the proper recording of transactions has been discussed with management and does not warrant further disclosure.

Findings and Recommendations

Timeliness of Deposits

In November 1989, the department mailed approximately 12,700 notices of payment for registration of underground storage tanks and 6,700 notices for consumer and food licenses. An owner or operator has until March 31 of each calendar year to pay these fees. The tank registration fees range from \$20 to \$50 per tank depending on tank contents and the food and consumer license fee is \$30. We reviewed eight tank and consumer and food fee deposits and found all were not deposited in a timely manner in accordance with state law. The eight deposits totalled \$132,356.

We also identified \$611 and \$775 in lab fees, deposited two and four days after the moneys were received, respectively. Section 17-6-105, MCA, requires all moneys received to be deposited each day when the accumulated amount of coin or currency exceeds \$100 or when total collections exceed \$500. When timely deposits are not made, the risk of theft or loss increases. Because of the nature of the department's collection and deposit system, it was not practical to determine the amount of lost interest to the state.

Department personnel indicated many fees are due at the end of a calendar year. At times the department is two to three weeks behind in depositing the money. The department processes three to five hundred receipts a day which includes one to two hundred tank registration and food and consumer license fee receipts. Because of the daily workload, personnel explained they are not able to deposit all checks in accordance with state law. If the department does not have sufficient personnel to ensure all receipts are deposited in a timely manner, the department should consider seeking legislation to alternate the filing dates for food and consumer licenses and registration of underground storage tanks. By alternating the filing dates, the number of receipts at any particular date could be reduced. This would smooth out the workload and allow the department to deposit receipts more timely.

Recommendation #1

We recommend the department:

- A. Deposit all moneys received in accordance with state law.
- B. Consider the need to seek legislation to alternate fee payment and renewal dates.

Miscoding of Expenditure Accruals

State policy requires state agencies to classify accrual transactions as "A" or "B." This allows the Department of Administration to properly reflect these transactions on the state's financial statements. An "A" accrual is recorded for goods or services ordered prior to June 30 of each year; but the goods are not received by the department, or services are not rendered by the contractor prior to the end of the fiscal year. A "B" accrual is recorded when goods are received by the department or services are rendered prior to June 30.

The department did not properly record all accrued expenditures at the end of fiscal years 1988-89 and 1989-90. Of the nine expenditure accruals reviewed, six were improperly recorded. The total value of these miscoded transactions for fiscal years 1988-89 and 1989-90 is \$416,954 and \$813,557, respectively. Four of the transactions tested were funded with money from the Women, Infants and Children program (WIC) (Catalog of Federal Domestic Assistance [CFDA] #10.557) and the Handicapped Children Services program (HCS) (CFDA #13.994).

Department personnel indicated the WIC "A" accruals were coded based on an estimate of the number of food vouchers that were issued but not yet cashed at fiscal year-end. The HCS "B" accruals were recorded based on the estimated cost of services that providers were authorized to perform at fiscal year-end. Because the WIC food vouchers are an obligation of the state when the vouchers are issued, the department should have

Findings and Recommendations

recorded a "B" accrual rather than an "A" accrual. An authorization to perform services under HCS is not a valid obligation of the state until the services are performed by providers; therefore, these transactions should have been recorded as "A" accruals rather than "B" accruals. Department officials indicated the classification of "A" or "B" is not reviewed as closely as the review of the other coding for transactions. Consequently, the errors were caused by oversights during the review and approval of the transactions. The department should strengthen procedures to review and approve accrual transactions at fiscal year-end.

Recommendation #2

We recommend the department strengthen procedures to review and approve the classification of "A" or "B" accruals at fiscal year-end in accordance with state policy.

Federal Program Management and Compliance

The federal Single Audit Act of 1984 requires auditors to ensure major federal assistance programs are managed and operated in accordance with federal laws and regulations. Major federal assistance programs for the state of Montana are programs where federal expenditures exceed \$3 million in a fiscal year. The Department of Health and Environmental Sciences has three major programs: the WIC program, the Child Nutrition program, and the Hazardous Substance Response Trust Fund (Superfund) program. The Superfund program was a major federal assistance program only in fiscal year 1988-89.

To comply with federal audit requirements, our report discloses all federal compliance issues identified during the audit. These federal compliance issues are discussed on pages 7 through 12. Findings which address specific federal assistance programs also disclose the CFDA number associated with the program.

Findings and Recommendations

Federal Financial Status Reports

During our prior audit of the Department of Health and Environmental Sciences for fiscal years 1986-87 and 1987-88, we identified errors on federal financial status reports (FSRs) for the Superfund (CFDA #66.802), and the WIC programs (CFDA #10.557). The department concurred with, but did not fully implement, our recommendation to ensure amounts reported on the federal financial status reports are accurate and comply with federal regulations.

During the current audit of the department, we identified errors in three of the four FSRs tested for the Child Nutrition Program (CFDA #10.558) and the Superfund program. In addition, we identified misstatements on the federal report for the Child Care Food Program report (FNS-44). Federal regulations require that federal financial status reports and FNS-44 reports submitted to the federal government be accurate and supported by the department's accounting records.

Child Nutrition

We reviewed the Child Nutrition program FSR for federal fiscal year 1988-89. We noted the total cumulative amount of cash available did not tie to the Child Nutrition records (FNS 374-1 - Notice of Revised Program Limitations). The FSR overstated the categorical authorizations by \$51,000 for meal service, \$7,000 for sponsor administration, \$5,000 for audit, and \$1,000 for cash for commodities. In addition, total outlays include a prior period adjustment of \$1,364 which relates to a previous grant which has been closed out.

In addition, the department files an FNS-44 report with the federal government. Two of the three FNS-44 reports reviewed did not tie to the department's records. For example, the number of outlets for head start centers was overstated by 56 on the October 1988 report.

Findings and Recommendations

Superfund

We reviewed two FSRs in the Superfund program and found errors on both. In reviewing the FSR for Superfund cooperative agreements, we identified total outlays for the report period ending March 31, 1989 are overstated by \$73. In addition, the nonfederal outlays (the 5 percent state match) cannot be tied to the Statewide Budgeting and Accounting System (SBAS). The amount recorded on the FSR is \$6,694 and the SBAS amount is \$5,990.

We reviewed the FSR for the report period ending March 31, 1989 for the Clark Fork Superfund site. The department did not correctly report the indirect costs (IDC) for the report period. Indirect costs are overstated by \$2,201. The indirect cost base (personal service expenditures) for the report period is overstated by \$17,328. Department personnel indicated the IDC amounts reported on the FSR were based on the project period rather than the report period of April 1, 1988 through March 31, 1989. The FSR preparation instructions require the IDC base, rate, and amount charged be for the report period.

The department did not correctly report amounts relating to the Silver Bow cooperative agreement on the FSR dated October 28, 1988. The department reported \$2,055,663 of current period expenditures on the FSR when the accounting records reported \$2,020,592 for the same time period. Another line item on the FSR also did not agree with the accounting records. Unpaid obligations were reported as \$979,334, while the amount on the accounting records was \$956,782.

The department could not find documentation supporting the FSR calculations. When the department attempted to reconstruct the calculation of the FSR amounts, it discovered that errors had been made. Department officials explained that the Silver Bow FSR was an interim report and the errors will be corrected on the next FSR.

We reviewed one of the department's Superfund reports for fiscal year 1989-90 and found no additional errors.

Findings and Recommendations

Recommendation #3

We recommend the department prepare and provide supported and accurate reports to the federal government in accordance with federal regulations.

Subrecipient Monitoring

The department subgrants federal financial assistance moneys it receives from the U.S. Department of Health and Human Services and the Environmental Protection Agency. The department does not have an adequate system to monitor local governments that receive federal financial assistance from the department. Federal regulations require the department to determine whether local governments which receive subgrants of federal moneys through the department have met the audit requirements of the U.S. Office of Management and Budget (OMB) Circular A-128. The regulation also requires the department to ensure that appropriate corrective action is taken by the local government on audit recommendations within six months after it receives the audit report.

The department personnel responsible for monitoring subrecipient audit reports do not know when local government audit reports are due to be received and there is no system established to ensure appropriate corrective action on audit recommendations within six months. The following two sections discuss our specific concerns.

Receipt of Subrecipient Audit Reports

Federal regulations require the department to ensure it receives subrecipient audit reports within one year after the end of the audit period. Of the subrecipient audit reports we tested the department received only 28 percent (9 of 32) in a timely manner. The department did not date stamp five of the thirty-two reports tested when received so we could not determine whether they were received in a timely manner. The contracts

Findings and Recommendations

between the department and the local governments require that the local government audit reports meet the requirements of OMB Circular A-128. The department should enforce the contract language by sending a letter when reports are not received within one year after the end of the audit period. The department should also document the local government audit schedule so personnel responsible for monitoring subrecipients know when audit reports are due.

Department personnel indicate the untimely receipt of reports is a shared responsibility with Local Government Services (LGS) Division of the Department of Commerce. Counties have the option of obtaining an audit from a private CPA firm or contracting with LGS for an audit. A Department of Commerce official indicated, due to the workload and staff turnover at LGS Division, these audit reports are sometimes not prepared by the date required in OMB Circular A-128. Therefore counties should consider contracting with a private CPA firm for an audit when the LGS workload prevents submission of the report in accordance with OMB Circular A-128.

Recommendation #4

We recommend the department work with the counties and the Local Government Services Division to ensure it receives subrecipient audit reports in a timely manner.

Corrective Action on Federal Compliance Issues

The department does not review audit reports to identify federal compliance issues in a timely manner. It also does not have a system to ensure that appropriate corrective action is taken within six months after it receives the audit report, as required by OMB Circular A-128. Three of the thirteen subrecipient audit reports we tested were not reviewed by the department within six months after it received the reports. These reports were received by the department in August 1989 and were not

Findings and Recommendations

reviewed by department personnel as of April 10, 1990. In another four of the thirteen audit reports tested, which had been in the department's possession for longer than six months, we noted the department did not follow up to ensure appropriate corrective action was taken by the subrecipient. The department should establish an audit resolution schedule to ensure audit reports are reviewed in a timely manner, and to help ensure issues are resolved within the required six months.

Department officials indicated that due to a shortage of staff the Centralized Services Division has been unable to properly monitor subrecipient audits. The officials indicated the internal auditor's time has been occupied with other department priorities. The 1991 Legislature passed a state Single Audit Act. We believe the state Single Audit Act will assist the department in monitoring city or county subrecipients of federal funds.

Recommendation #5

We recommend the department establish a system to ensure it resolves issues of noncompliance with federal regulations within six months as required by federal regulations.

Noncompliance with Contract Provisions

The department contracts with local governments to provide health care services funded by the Maternal and Child Health (MCH) block grant (CFDA #13.994) for mothers and children. During fiscal years 1988-89 and 1989-90, MCH block grant expenditures were \$2,133,338 and \$2,056,822, respectively.

We reviewed fiscal year 1989-90 contracts with four counties and determined the department did not enforce the contract provisions. The contract terms require each county to submit to the department a quarterly report with a detailed accounting of how the funds were spent, the services provided, and evidence of sufficient matching funds. The report is due by the last day

Findings and Recommendations

of the month following the end of each quarter. The contract further specifies the department shall reimburse the county "after receipt" of the quarterly expenditure report.

For three of the counties, the department paid the second, third, and fourth quarter payments prior to receipt of quarterly reports. According to the contract provisions, the counties should not have been paid until the appropriate reports were provided to the department. These payments totaled \$11,117. One county did not provide any quarterly reports during the fiscal year, yet the department paid federal funds totaling \$3,013.

In October 1990, the department's internal auditor completed a limited scope audit of the MCH Block Grant Program for fiscal years 1987-88, 1988-89, and 1989-90. In addition to the files we reviewed, the report identified six other counties which did not submit fourth quarter reports and nine counties that did not return unspent federal funds to the department by August 31, 1990 as required by the contract. The department has disbursed funds totaling \$5,359 for fiscal years 1988-89, 1989-90, and 1990-91 to one county that are not supported by quarterly reports. Department personnel indicated the concerns regarding the reporting of MCH funds were brought to the attention of the program director, the administrator of Centralized Services Division, and the deputy director of the department as far back as April of 1989; however, the concerns have not been resolved.

The internal auditor uses the quarterly reports at fiscal year-end as a monitoring tool to ensure counties meet the required match and to ensure the counties return unspent funds to the department. Department officials indicated a change in personnel responsible for monitoring the MCH block grant program resulted in a lack of communication with the program management. In addition, the elimination of the department's Nursing Bureau in fiscal year 1987-88 reduced the contact between the department and the counties. As a result, the counties are not aware of the contract requirements. Department officials indicated they are aware of the contract language and are implementing procedures to ensure compliance.

Findings and Recommendations

Recommendation #6

We recommend the department enforce the provisions of the contracts established for the Maternal and Child Health block grant.

Electronic Data Processing

The department's electronic data processing (EDP) systems contain information for programs administered by the department. In addition to mainframe applications, the department operates a microcomputer network. The department is not in compliance with state policy regarding the following issue.

Microcomputer Policy

During the prior audit, department officials reported instances where two employees used a state microcomputer to establish private business files. The business files were located in a hidden directory on a microcomputer. One of the employees indicated he did not consider it inappropriate to use the computer for his private business, as long as the work was done on his own time. We recommended the department establish a policy which defines the allowable use of microcomputers. The department concurred with the recommendation and noted the policy would be developed by July 1, 1989. The officials said the department is in the process of establishing a policy to control the use of its microcomputers. During the current audit, department officials indicated they are waiting for the publication of the Department of Administration's proposed standards on computer usage. It is the Department of Administration's position that agencies are responsible for implementing policies to control use of their microcomputers.

Although we noted no additional instances of inappropriate use of computers, we believe the department should establish written policies regarding use of microcomputers by state employees. A written policy would ensure employees are aware

Findings and Recommendations

of management's position regarding personal use of state microcomputers.

Recommendation #7

We recommend the department comply with state policy and establish written policies regarding microcomputer use.

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The auditor's opinion issued for the Department of Health and Environmental Sciences is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit.

The opinion on the schedules presented means the schedules are fairly stated in all material respects and the user can rely on the information presented.

STATE OF MONTANA

Office of the Legislative Auditor



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Financial-Compliance Audit

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Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Department of Health and Environmental Sciences for each of the two fiscal years ended June 30, 1989 and 1990, as shown on pages 18 through 26. The information contained in these schedules is the responsibility of the department's management. Our responsibility is to express an opinion on those financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operation and changes in fund balances of the Department of Health and Environmental Sciences for each of the two fiscal years ended June 30, 1989 and 1990, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,
James Gillett

James Gillett, CPA
Deputy Legislative Auditor

March 4, 1991

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Internal Service Fund</u>
FUND BALANCE: July 1, 1988	\$ 0	\$ 2,355,187	\$ 0
ADDITIONS			
<u>Fiscal Year 1988-89</u>			
Budgeted Revenue	197,562	26,789,199	
Nonbudgeted Revenue	44,546	14,301	
Prior Year Revenue Adjustments	99,934	(556,389) ³	
Support From State of Montana	3,352,630		
Cash Transfers In		818,667 ²	
Prior Year Revenue		95,167	
<u>Fiscal Year 1989-90</u>			
Budgeted Revenue	348,438	26,289,751	920,187
Nonbudgeted Revenue	48,370	7,176	
Prior Year Revenue Adjustments	25,574	(599,572) ³	
Support From State of Montana	3,129,125		
Cash Transfers In		4,885,386 ²	
Direct Entries to Fund Balance			296,123 ¹
Total Additions	<u>7,246,179</u>	<u>57,743,686</u>	<u>1,216,310</u>
REDUCTIONS			
<u>Fiscal Year 1988-89</u>			
Budgeted Expenditures	3,673,781	27,587,653	
Prior Year Expenditure	38	2,688	
Prior Year Expenditure Adjustments	20,853	(331,515) ³	
Direct Entries to Fund Balance	0	80,921 ¹	
<u>Fiscal Year 1989-90</u>			
Budgeted Expenditures	3,522,186	27,620,185	948,889
Prior Year Expenditure Adjustments	29,321	(922,476) ³	
Direct Entries to Fund Balance		167,096 ¹	
Nonbudgeted Expenditures & Transfers Out			89,945
Total Reductions	<u>7,246,179</u>	<u>54,204,552</u>	<u>1,038,834</u>
FUND BALANCE: June 30, 1990	\$ 0	\$ 5,894,321	\$ 177,476

¹See Note 7 on page 25.

²See Note 8 on page 26.

³See Note 9 on page 26.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 22 through 26.

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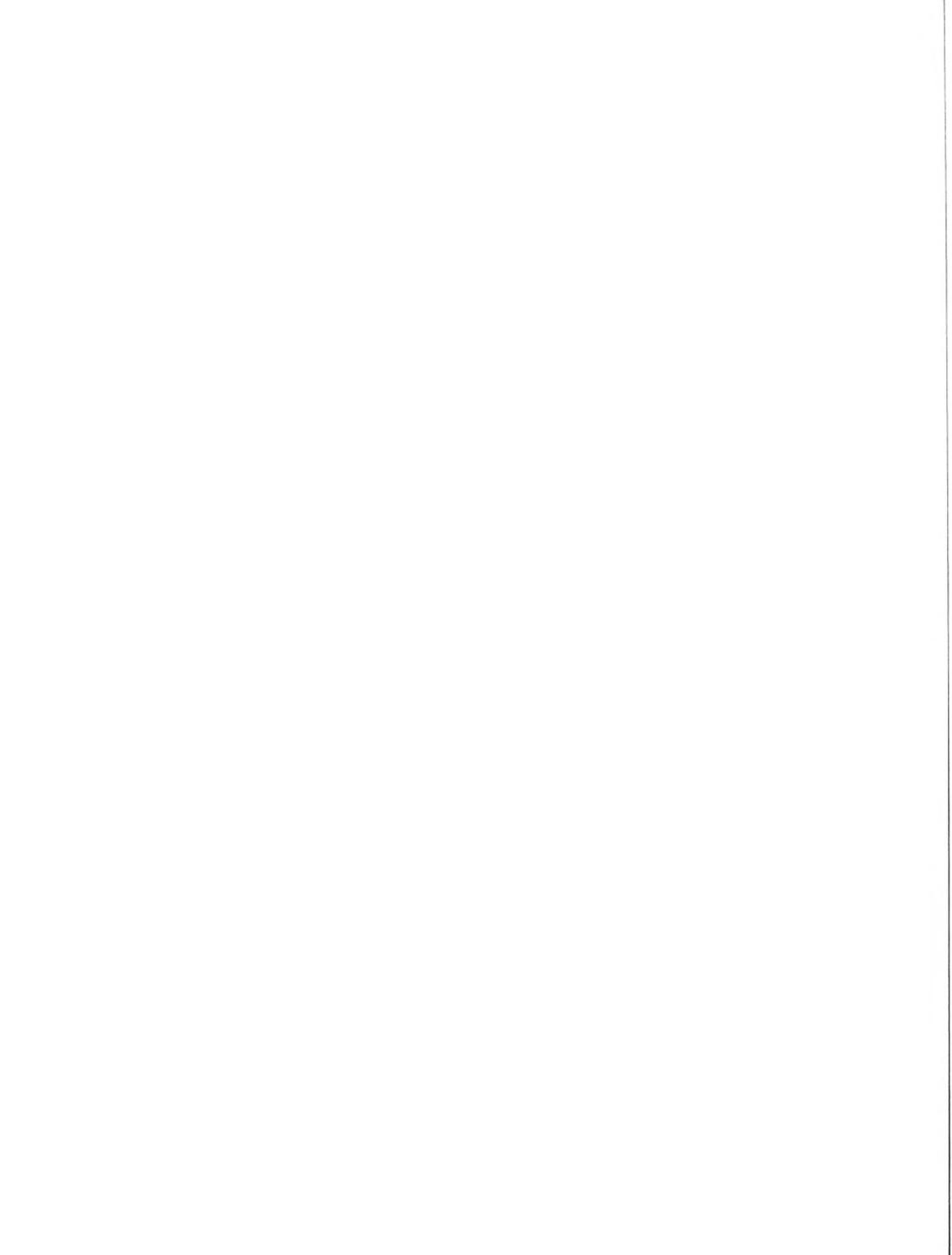
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DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

	Licenses and Permits	Charges For Services	Investment Earnings	Sale of Documents & Merchandise	Grants, Contracts, Donations	Federal	Federal Indirect Cost Recoveries	Total
<u>Fiscal Year 1989-90</u>								
<u>GENERAL FUND</u>								
Estimated Revenue	\$ 141,000	\$ 180,000						\$ 321,000
Actual Revenue	<u>166,178</u>	<u>182,260</u>						<u>348,438</u>
Collections Over (Under) Estimate	<u>25,178</u>	<u>2,260</u>						<u>27,438</u>
<u>SPECIAL REVENUE FUND</u>								
Estimated Revenue	\$2,235,947	\$2,188,628	\$218,200	\$ 54,702	\$ 294,858	\$28,435,969		\$33,428,304
Actual Revenue	<u>1,727,872</u>	<u>2,398,647</u>	<u>238,696</u>	<u>25,358</u>	<u>114,435</u>	<u>21,784,743</u>		<u>26,289,751</u>
Collections Over (Under) Estimate	<u>(508,075)</u> ¹	<u>\$ 210,019</u>	<u>\$ 20,496</u>	<u>(\$29,344)</u>	<u>(\$180,423)</u> ¹	<u>(\$6,651,226)</u> ¹		<u>(\$7,138,553)</u>
<u>INTERNAL SERVICE FUNDS</u>								
Estimated Revenue							\$989,896	\$ 989,896
Actual Revenue							<u>920,187</u>	<u>920,187</u>
Collections Over (Under) Estimate							<u>(\$69,709)</u>	<u>(\$69,709)</u>
<u>Fiscal Year 1988-89</u>								
<u>GENERAL FUND</u>								
Estimated Revenue	\$ 73,500	\$153,250						\$ 226,750
Actual Revenue	<u>77,385</u>	<u>120,177</u>						<u>197,562</u>
Collections Over (Under) Estimate	<u>3,885</u>	<u>(\$33,073)</u>						<u>(\$29,188)</u>
<u>SPECIAL REVENUE FUND</u>								
Estimated Revenue	\$1,236,663	\$740,197	\$121,500	\$50,528	\$ 663,046	\$27,146,239	\$430,000	\$30,388,173
Actual Revenue	<u>1,243,450</u>	<u>648,196</u>	<u>77,261</u>	<u>55,533</u>	<u>360,132</u>	<u>23,955,600</u>	<u>459,227</u>	<u>26,789,199</u>
Collections Over (Under) Estimate	<u>6,787</u>	<u>(\$92,001)</u>	<u>(\$44,239)</u>	<u>(\$4,995)</u>	<u>(\$302,914)</u> ¹	<u>(\$3,190,839)</u> ¹	<u>\$ 29,227</u>	<u>(\$3,598,974)</u>

¹ See Note 5 on page 24.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 22 through 26.

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INTERNAL SERVI

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Unspent Budg

¹See Note 6 or

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND - BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1990

	Director's Office	Central Services	Environmental Sciences	Solid Hazardous Waste	Water Quality	Health Services/Medical Facility	Family/ MCH Bureau	Preventive Health Bureau	Licensing and Certification	Preventive Health Planning	Petro Tank Release Comp Board	Total
PERSONAL SERVICES												
Salaries	\$ 326,670	\$ 1,178,201	\$ 892,112	\$ 960,438	\$ 1,051,643	\$ 286,083	\$ 544,325	\$ 552,864	\$ 605,306	\$ 103,826	\$ 70,846	\$ 6,572,314
Other Compensation	1,400				125				50			1,575
Employee Benefits	65,043	283,250	184,229	203,343	219,764	57,187	117,681	119,355	130,114	22,561	15,608	1,418,135
Total	393,113	1,461,451	1,076,341	1,163,781	1,271,532	343,270	662,006	672,269	735,420	126,387	86,454	7,992,024
OPERATING EXPENSES												
Other Services	272,745	181,258	1,130,457	1,374,159	623,962	109,990	997,885	1,060,709	5,889	5,820	14,595	5,777,469
Supplies & Materials	10,565	170,703	82,117	137,911	65,781	27,922	27,364	161,541	39,425	2,909	27,774	754,012
Communications	10,955	66,707	46,958	104,104	48,782	31,329	32,169	48,501	18,260	4,792	12,462	425,019
Travel	11,259	15,156	81,859	75,216	86,781	42,518	81,888	74,697	95,699	2,386	7,312	574,769
Rent	11,351	95,410	46,345	54,507	44,803	13,929	24,692	23,848	20,886	5,426	5,350	346,547
Utilities	33	14,212	6,667	1,812		622					430	23,776
Repair & Maintenance	1,927	46,747	28,364	10,690	8,885	2,036	7,221	2,658	2,060	508	1,515	112,611
Other Expenses	30,019	130,019	155,432	190,887	199,913	59,189	108,758	109,713	106,848	16,943	12,969	1,120,690
Total	368,854	720,210	1,578,199	1,949,286	1,078,907	287,535	1,279,977	1,481,667	289,067	38,784	82,407	9,134,893
EQUIPMENT AND INTANGIBLE ASSETS												
Equipment	1,250	233,272	58,220	49,760	27,925	1,595			2,800	13,311	4,762	392,895
Intangible Assets		11,675										11,675
Total	1,250	244,947	58,220	49,760	27,925	1,595			2,800	13,311	4,762	404,570
GRANTS												
From Federal Sources			102,586				52,198		7,238,335	11,968		7,405,087
From Other Sources			196,074		783,099		28,154					1,007,327
Total			298,660		783,099		80,352		7,238,335	11,968		8,412,416
BENEFITS & CLAIMS												
From State Sources												703,652
From Federal Sources												5,443,707
Total												703,652
TOTAL PROGRAM EXPENDITURES	\$ 743,217	\$ 2,426,608	\$ 3,011,420	\$ 3,045,926	\$ 2,458,716	\$ 632,400	\$ 14,624,025	\$ 2,168,704	\$ 1,037,798	\$ 165,171	\$ 877,275	\$ 32,091,260
GENERAL FUND												
Budgeted	\$ 212,817	\$ 667,352	\$ 1,033,403	\$ 195,354	\$ 186,936	\$ 387,265	\$ 55,357	\$ 988,644	\$ 418,189	\$ 196,431		\$ 4,339,748
Actual	199,812	598,318	893,066	147,213	126,653	376,445	48,652	631,495	335,361	165,171		3,522,186
Unspent Budget Authority	\$ 13,005	\$ 69,034	\$ 140,337	\$ 48,141	\$ 60,283	\$ 10,820	\$ 6,705	\$ 357,149	\$ 82,828	\$ 29,260		\$ 817,562
SPECIAL REVENUE FUND												
Budgeted	\$ 416,440	\$ 1,259,106	\$ 2,942,254	\$ 9,699,740	\$ 3,738,555	\$ 354,173	\$ 15,212,423	\$ 1,788,137	\$ 1,187,021		\$ 4,400,000	\$ 40,997,829
Actual	315,355	1,107,451	2,118,352	3,798,713	2,332,061	255,995	14,375,373	1,537,209	702,437		877,275	27,620,185
Unspent Budget Authority	\$ 101,085	\$ 151,655	\$ 823,900	\$ 5,901,027	\$ 1,406,472	\$ 98,218	\$ 637,050	\$ 250,928	\$ 484,584		\$ 3,522,725	\$ 13,377,644
INTERNAL SERVICE FUNDS												
Budgeted	\$ 275,771	\$ 846,874										\$ 1,122,645
Actual	228,050	720,839										946,889
Unspent Budget Authority	\$ 47,721	\$ 126,035										\$ 175,756

¹See Note 6 on page 25.

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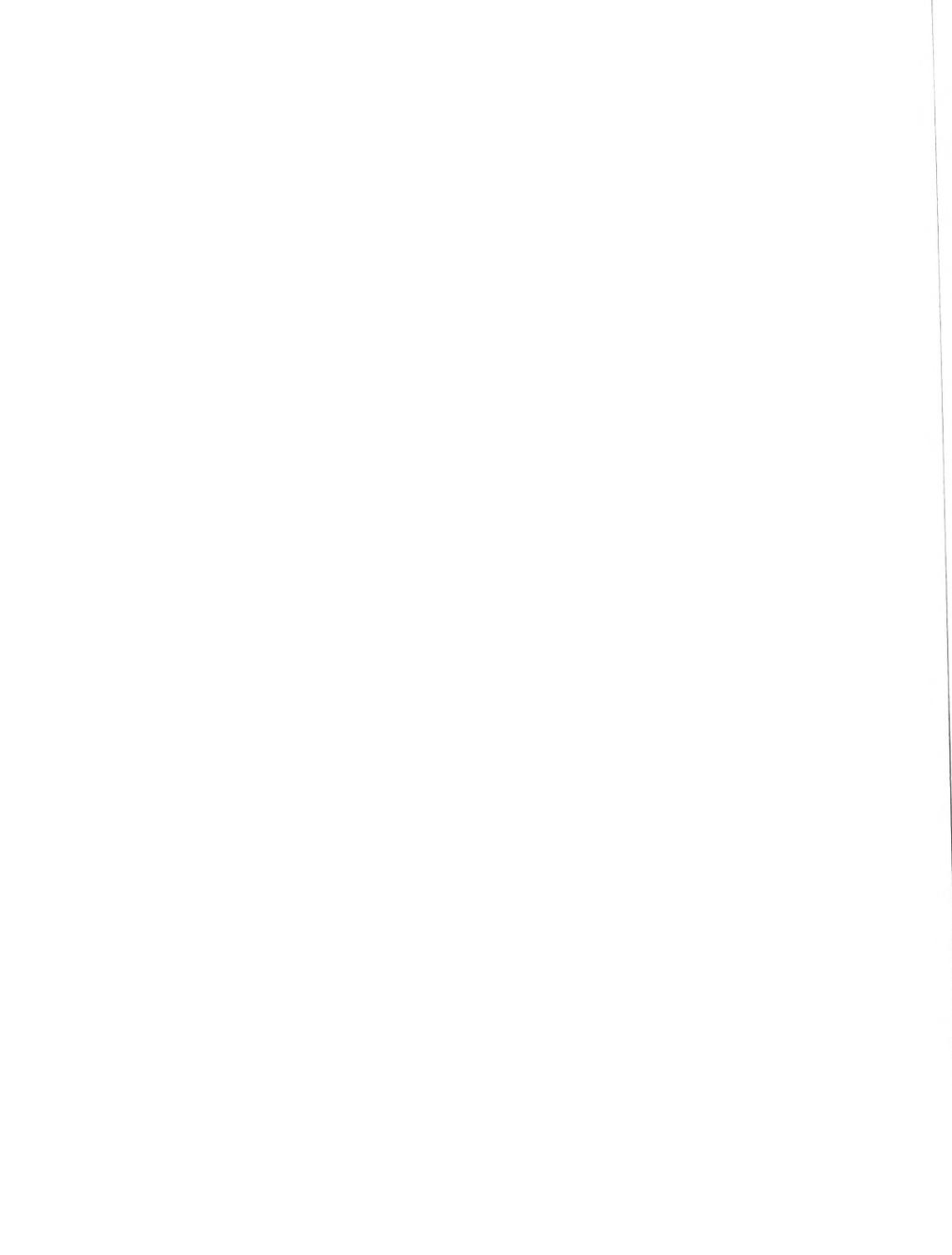
BENEFITS
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¹See Note



DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND - BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	Director's Office	Central Services	Environmental Sciences	Solid/Hazardous Waste	Water Quality	Health Services/Medical Facilities	Family/MCH Bureau	Preventive Health Bureau	Licensing and Certification	Preventive Health Planning	Total
PERSONAL SERVICES											
Salaries	\$ 328,659	\$ 1,096,837	\$ 873,835	\$ 882,051	\$ 1,014,610	\$ 278,440	\$ 500,400	\$ 456,707	\$ 657,759	\$ 94,979	\$ 6,184,277
Other Compensation	1,400				100						1,500
Employee Benefits	59,694	259,259	174,312	182,783	207,580	55,673	104,729	95,833	137,384	19,881	1,297,128
Total	389,753	1,356,096	1,048,147	1,064,834	1,222,290	334,113	605,129	552,540	795,143	114,860	7,482,905
OPERATING EXPENSES											
Contracted Services	702,433	160,642	103,196	4,114,621	390,045	138,890	1,022,474	828,891	7,273	4,998	7,473,463
Supplies & Materials	6,951	137,930	36,947	90,231	39,932	12,496	124,833	131,446	4,273	4,130	589,169
Communications	7,544	53,961	44,406	44,876	49,474	34,326	30,417	41,922	14,315	5,089	326,330
Travel	2,676	10,731	55,558	63,193	83,735	26,089	39,270	51,761	113,699	2,242	448,954
Rent	10,544	89,186	44,324	44,478	41,009	13,100	23,911	18,131	18,714	5,139	308,536
Utilities		7,687	9,387	76		602	30				17,782
Repair & Maintenance	2,804	48,300	14,899	7,592	6,328	3,165	5,766	3,625	2,693	485	95,657
Other Expenses	5,653	65,446	66,508	143,020	137,607	3,430	61,723	49,354	58,659	874	592,274
Goods Purchased for Resale					400						400
Total	738,605	575,883	375,225	4,508,087	748,550	232,098	1,308,424	1,125,130	219,626	22,957	9,852,565
EQUIPMENT AND INTANGIBLE ASSETS											
Equipment	39,006		41,996	80,202	10,376	\$ 3,600	13,952	11,072	7,513	1,200	208,917
Intangible Assets		3,279		6,594				1,279			11,152
Total	42,285	41,996	86,796	10,376	3,600		13,952	12,351	7,513	1,200	220,069
GRANTS											
From Federal Sources			199,908		147,980		6,389,643	32,750			6,770,281
From Other Sources		190,893		771,606	18,222		4,061				984,782
Total		390,801		771,606	166,202		6,393,704	32,750			7,755,063
BENEFITS & CLAIMS											
From Federal Sources									5,950,832		5,950,832
Total									5,950,832		5,950,832
TOTAL PROGRAM EXPENDITURES	\$ 1,128,358	\$ 1,972,264	\$ 1,856,169	\$ 6,631,323	\$ 2,147,398	\$ 569,811	\$ 16,272,041	\$ 1,722,771	\$ 1,022,282	\$ 139,017	\$ 31,261,434
GENERAL FUND											
Budgeted	\$ 350,757	\$ 708,163	\$ 821,288	\$ 76,181	\$ 460,825	\$ 353,775	\$ 31,013	\$ 548,707	\$ 367,630	\$ 170,483	\$ 3,978,822
Actual	339,407	766,254	777,580	75,956	319,023	349,564	21,738	542,189	343,093	159,017	3,673,781
Unspent Budget Authority	\$ 11,350	\$ 31,909	\$ 63,708	\$ 225	\$ 141,802	\$ 4,211	\$ 9,275	\$ 6,518	\$ 24,577	\$ 31,466	\$ 305,041
SPECIAL REVENUE FUND											
Budgeted	\$ 997,921	\$ 1,286,871	\$ 1,263,772	\$ 10,324,313	\$ 2,326,554	\$ 269,033	\$ 14,583,153	\$ 1,512,758	\$ 693,591		\$ 33,257,966
Actual	788,951	1,206,010	1,078,589	6,355,367	1,828,375	220,247	14,250,303	1,180,582	679,229		27,587,653
Unspent Budget Authority	\$ 208,970	\$ 80,861	\$ 185,183	\$ 3,968,964	\$ 498,179	\$ 68,786	\$ 332,850	\$ 332,176	\$ 14,362		\$ 5,670,313

¹See Note 6 on page 25.

Notes to Financial Schedules

For the Two Fiscal Years Ended June 30, 1990

1. Summary of Significant Accounting Policies

Basis of Accounting

The Department of Health and Environmental Sciences uses the modified accrual basis of accounting, as defined by generally accepted accounting principles, for its General and Special Revenue Funds. In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable.

The Department uses accrual basis accounting for its Internal Service Fund. Under the accrual basis, the department records revenues in the accounting period earned if measurable; it records expenses in the period incurred, if measurable.

The following additional items may be considered valid obligations or expenditures under state accounting policy:

- The entire budgeted service contract even though the department received the services in a subsequent fiscal year.
- Goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end.
- Equipment ordered with a purchase order before fiscal year-end.

State accounting policy also requires the department to record the cost of employees' annual leave and sick leave when used or paid.

Notes to Financial Schedules

Basis of Presentation

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The department uses the following funds:

Governmental Funds

General - to account for all financial resources except those required to be accounted for in another fund. The Records and Statistics Bureau receives General Fund support in addition to the Microbiology and Chemistry Labs.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include federal activity such as Environmental Protection Grants, Maternal and Preventive Health Block Grants, and the Women, Infants and Children program. State Special Revenue Fund programs include laboratory testing and the Junk Vehicle program.

Proprietary Funds

Internal Service Fund - to account for providing goods or services to other agencies or departments on a cost-reimbursement basis. Department Internal Service Funds include indirect charges assessed against all units of the department by the Director's Office and Centralized Services Division for providing department-wide support functions and services.

2. Compensated Absences

Employees at the department accumulate both annual and sick leave. The department pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The department absorbs expenditures for termination pay in its annual operational costs. At June 30, 1990, the department had a liability of \$576,220 for annual leave, \$292,415 for sick leave, and \$5,534 for nonexempt compensatory leave.

Notes to Financial Schedules

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The department's contribution to PERS was \$390,226 in fiscal year 1988-89 and \$416,746 in fiscal year 1989-90.

4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. Estimated Revenue vs. Actual Revenue

- A. Licenses and Permits revenue recorded in the Special Revenue Fund during fiscal year 1989-90 was less than estimated because the department did not perform the number of environmental impact studies anticipated. In addition, revenue for junk vehicle disposal was less than anticipated.
- B. Grants, Contracts and Donations revenue recorded in the Special Revenue Fund during fiscal year 1988-89 was less than estimated because the anticipated grant funds for hazardous waste minimization program created by House Bill 6, Laws of 1987, were not received. In addition anticipated grant funds in fiscal year 1989-90 for pesticide contamination were not received.
- C. Federal Assistance revenue recorded in the Special Revenue Fund is overestimated because the department did not receive EPA superfund grant award money at the anticipated levels in fiscal years 1988-89 and 1989-90. The department was not authorized the expected number of Superfund projects. Also, the department used a biennial revenue estimate for the Leaking Underground Storage Tanks grant for fiscal year 1988-89.

Notes to Financial Schedules

- 6. Budgeted Expenditures vs. Actual Expenditures**
- A. Budgeted expenditures for the Environmental Sciences Division during fiscal year 1988-90 are more than actual expenditures because the expenditures for the Environmental Quality Protection Fund and the environmental impact studies were less than anticipated. The department did not perform the anticipated number of environmental impact studies. The Environmental Quality Protection Fund provides contingency funding to allow the department to respond to environmental problems.
 - B. Budgeted expenditures for the Solid and Hazardous Waste program in fiscal year 1988-89 and 1989-90 are more than actual expenditures because the department established continuing appropriations for the Leaking Underground Storage Tank projects. Also, Superfund expenditures were less than anticipated because the number of Superfund projects decreased.
 - C. Budgeted expenditures for the Water Quality program in fiscal year 1989-90 are more than the actual because the expenditures for Non-Point Source pollution were less than appropriated. The department did not use the Non-Point Source funds because the Safe Drinking Water funds were available.
 - D. Actual expenditures for the Petroleum Tank Release Compensation Board, established in fiscal year 1989-90, were less than anticipated. The petroleum tank release fund is statutorily appropriated to be administered as a revolving fund by the board.

7. Direct Entries

The significant portion of direct entries to fund balance in fiscal year 1988-89 consist of residual equity transfers closing out certain Special Revenue Funds in accordance with Chapter 351, Laws of 1989.

In fiscal year 1989-90, the department transferred the cash balance of the indirect cost pool from the Special Revenue Fund to the Internal Service Fund.

8. Cash Transfers

In fiscal years 1988-89 and 1989-90, the Department of Revenue transferred \$818,667 and \$835,032 respectively in interest earned on the Resource Indemnity Trust to the department in accordance with state law.

In fiscal year 1989-90, the Petroleum Tank Release Compensation Board was established. Department of Revenue collects money for the Petroleum Tank Cleanup Fund in the amount of 1 cent for each gallon of gasoline distributed within the state from July 1, 1989 through June 30, 1991. Department of Revenue transfers \$3,859,480 of this petroleum storage tank cleanup fee to the Department of Health and Environmental Sciences.

9. Prior Year Adjustments

- A. The significant portion of the fiscal year 1988-89 prior year expenditure adjustments are recorded to correct overstated expenditures from the prior year. The fiscal year 1989-90 prior year expenditure adjustments occurred because of the change in the method of accruing expenditures. The prior year expenditures were recorded for Superfund, Women Infants and Children, Maternal and Child Health Care, and the Junk Vehicle programs.
- B. The significant portion of prior year revenue adjustments for fiscal year 1988-89 and 1989-90 consist of transactions canceling outstanding Superfund, Safe Drinking Water, and Leaking Underground Storage Tank program accruals.

10. Contingent Liability

Subsequent to June 30, 1990, one counterclaim was filed against the department, in state ex_rel. DHES v. Mariner's Haven, for \$200,000. The outcome of this counterclaim is uncertain at this time.

Agency Response

DEPARTMENT OF
HEALTH AND ENVIRONMENTAL SCIENCES



STAN STEPHENS, GOVERNOR

COGSWELL BUILDING

STATE OF MONTANA

FAX # (406) 444-2606

HELENA, MONTANA 59620

May 8, 1991

10/10/1991

Mr. Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

Dear Mr. Seacat:

The Department of Health and Environmental Sciences (DHES) has reviewed the audit for the two Fiscal Years Ended June 30, 1990. The agency's responses are as follows:

Timeliness of Deposits

Recommendation #1

We recommend the department:

- A. Deposit all moneys received in accordance with state law.
- B. Consider the need to seek legislation to alternate fee payment and renewal dates.

Response

A. Concur

To comply with this requirement the Support Services Bureau will need to add more staff and obtain a new computer program to allow for faster input of cash received. The department will need a budget amendment to add new staff this biennium or will have to request additional staff from the next legislature.

Mr. Scott A. Seacat
May 8, 1991
Page Two

B. Concur

The Department will research the possibilities of changing the due dates or the collection point for fees. Changes will be implemented as time allows. The Department will request increased staff and resources from the next legislature.

Miscoding of Expenditure Accruals

Recommendation #2

We recommend the department strengthen procedures to review and approve the classification of "A" or "B" accruals at fiscal year-end in accordance with state policy.

Partially concur

Concur with WIC portion but do not concur with Handicapped Children's portion.

The WIC "A" accrual exception appears to be a problem with definitions. We can change to this definition in the future.

All services accrued as "B" accruals for the Handicapped Children's program were provided before June 30 of the year for which they were accrued. This meets the requirement for a "B" accrual as described in the auditor's write-up and the Department of Administration's Fiscal Year End close-out management memo.

During the coming fiscal years the Handicapped Children's program will research the percent of authorized services accrued that are actually paid, and use this information for accruals.

Mr. Scott A. Seacat
May 8, 1991
Page Three

Federal Financial Status Reports

Recommendation #3

We recommend the department prepare and provide supported and accurate reports to the federal government in accordance with federal regulations.

Concur.

This has been corrected, but may occur in the future due to the number of federal grants that must be reported.

Child Nutrition

The majority of exceptions reported in the audit pertain to errors in authorized amounts on the Financial Status Report (FSR). The FSR authorized amounts do not affect the amount of expenditures reported. The errors were caused by a combination of communication problems between the Federal government and the Department, which have been corrected.

FNS-44 Reports.

The errors on the FNS-44 reports were made in transferring information from one form to another. Procedures have been established to double check all reports.

Superfund

Due to changing personnel and procedures, errors had been made in the Superfund reporting. All of the errors were on interim FSR's and have been corrected on reports that were submitted at a later date.

Mr. Scott A. Seacat
May 8, 1991
Page Four

Subrecipient Monitoring

Recommendation #4

We recommend the department work with the counties and the Local Government Services Division to insure it receives subrecipient audit reports in a timely manner.

Concur

Since the audit work was performed we have obtained a schedule of the audits to be completed for the fiscal years ended June 30, 1989 and 1990 from the Montana Department of Commerce. Based on that schedule, we have prepared a control schedule to monitor the due dates of the audit reports, dates the audit reports were received, follow up action taken, and the date the audit report was closed. The Department will work with the Local Government Services Division to see that audit reports are received in a timely manner.

Corrective Action on Federal Compliance Issues

Recommendation #5

We recommend the department establish a system to ensure it resolves issues of compliance with federal regulations within six months as required by federal regulations.

Concur

We have implemented a tracking system to ensure that responses to noncompliance issues are resolved in accordance with federal regulations.

Mr. Scott A. Seacat
May 8, 1991
Page Five

Noncompliance With Contract Provisions

Recommendation #6

We recommend the department enforce the provisions of the contracts established for the Maternal and Child Health block grant.

Concur

Monitoring of the MCH contracts has been transferred to the Family/MCH Bureau. Program planning, contract development and compliance monitoring have thus been centralized. Payments are not being made unless quarterly reports indicate compliance with the contracts. The FY 1992 contracts will be revised to reduce confusion between program reports and reports specific to fiscal accountability.

Microcomputer Policy

Recommendation #7

We recommend the department comply with state policy and establish written policies regarding microcomputer use.

Concur.

A policy has been issued on March 11, 1991 that addresses this recommendation.

Sincerely,



DENNIS IVERSON, Director

